

**THE TENNESSEE STATE BOARD OF EQUALIZATION
BEFORE THE ADMINISTRATIVE JUDGE**

IN RE: Specialty Tennessee Holdings, Inc.)
f/k/a Specialty Tires of America (Tennessee), Inc.)
Dist. 5, Map 12, Control Map 12, Parcel 100.03P) Unicoi County
Tangible Personal Property)
Tax Years 2003-2006)

INITIAL DECISION AND ORDER

Statement of the Case

This is an appeal by the taxpayer, Specialty Tennessee Holdings, Inc., f/k/a Specialty Tires of America (Tennessee), Inc. (herein "Specialty Tennessee") from assessments imposed by W.J. Gaines, Unicoi County Assessor of Property (herein the "Unicoi County Assessor"), such assessments resulting from a tangible personal property tax audit conducted on behalf of the Unicoi County Assessor at the manufacturing facilities used by Specialty Tennessee in Unicoi County (herein the "Manufacturing Facilities"). Those assessments, which were affirmed on June 13, 2006 by the Unicoi County Board of Equalization, seek to (i) subject various equipment and other tangible personal property used by Specialty Tennessee at such Manufacturing Facilities to *ad valorem* taxation in Groups 1, 2, 3, 5, 6, 8, 9 and 10, of Tenn. Code Ann. § 67-5-903(f), for the tax years 2003 through 2006 inclusive, and (ii) subject certain open leases of tangible personal property also used by Specialty Tennessee at the Manufacturing Facilities to *ad valorem* taxation for the tax year 2006. The values attributable to said equipment and other personal property so used by Specialty Tennessee at the Manufacturing Facilities (herein "Subject Personal Property") were determined in that audit to be as follows:

<u>TAX YEAR:</u>	<u>APPRAISED VALUE:</u>	<u>ASSESSED VALUE:</u>
2003	\$10,105,428	\$3,031,628
2004	\$9,267,134	\$2,780,140
2005	\$9,050,587	\$2,715,176
2006	\$8,622,507	\$2,586,752

Specialty Tennessee contends that (i) title to all of the Subject Personal Property is owned by The Industrial Development Board of Unicoi County, Tennessee (herein the "Unicoi County IDB"); (ii) the Subject Personal Property is being leased by the Unicoi County IDB (as the

“Lessor”) to Specialty Tennessee (as the “Lessee”) pursuant to a certain Lease Agreement dated February 2, 1995 (herein the “Lease”), the term of which (herein the “Lease Term”) commenced January 1, 1998 and expires December 31, 2011 as to all the Subject Personal Property (other than for the “Water Tank” as defined in the Lease for which renewal terms are available); and (iii) as such, the Subject Personal Property is exempt from *ad valorem* taxation pursuant to Tenn. Code Ann. § 7-53-305(a) .

Findings of Fact and Conclusions of Law

Specialty Tennessee and the Unicoi County Assessor have stipulated to and have agreed upon a settlement that not only resolves those issues that directly relate to this proceeding but also resolves other related issues, such settlement being evidenced by that certain letter dated December 18, 2006 signed and accepted by both Specialty Tennessee and the Unicoi County Assessor (herein the “Settlement Letter”). As part of that Settlement Letter, and as further evidenced by their signatures below, Specialty Tennessee and the Unicoi County Assessor have stipulated to and agreed upon the following issues that directly relate to this proceeding:

(a) Other than the raw materials, supplies and spare parts classified as Group 8, Tenn. Code Ann. § 67-5-903(f), that are used by Specialty Tennessee at the Manufacturing Facilities (herein the “Raw Materials and Supplies”), the parties stipulate and agree that the Subject Personal Property (i) is now and has at all times material hereto been continually owned by the Unicoi County IDB, (ii) is being leased by the Unicoi County IDB as the “Lessor” to Specialty Tennessee as the “Lessee” pursuant to the terms of the Lease, and (iii) is exempt from *ad valorem* taxation pursuant to Tenn. Code Ann. § 7-53-305(a) through the Lease Term (other than the Water Tank for which renewal terms are available). Based upon said stipulation and agreement in this Paragraph (a), the administrative judge finds that the Subject Personal Property (other than the Raw Materials and Supplies) should be exempt from *ad valorem* taxation pursuant to Tenn. Code Ann. § 7-53-305(a) and that the assessments upon said Subject Personal Property (other than the Raw Materials and Supplies) should be invalid .

(b) The parties further stipulate and agree that the Raw Materials and Supplies are valued and taxed for *ad valorem* purposes the tax years 2003 through 2006 inclusive as follows:

<u>TAX YEAR</u>	<u>APPRAISED VALUE</u>	<u>ASSESSED VALUE</u>	<u>TAXES</u>
2003	\$1,887,136	\$566,141	\$14,097
2004	\$1,887,136	\$566,141	\$14,097
2005	\$1,887,136	\$566,141	\$14,097
2006	\$1,887,136	\$444,307	\$11,063

The parties acknowledge that on or about January 5, 2007, Specialty Tennessee did pay the sum of \$53,921 to the Unicoi County Assessor in full payment of such taxes; and Specialty Tennessee agrees to timely report the value of the Raw Materials and Supplies for the balance of the term of the Lease and to timely pay the *ad valorem* taxes incurred thereby. Based upon said stipulation and agreement in this Paragraph (b), the administrative judge finds that the above valuation and assessment for the Raw Materials and Supplies should be adopted and that such value represents the fair market value for *ad valorem* taxation for the years 2003 through 2006 inclusive.

Order

(a) It is therefore ORDERED that the Subject Personal Property (other than the Raw Materials and Supplies) are exempt from *ad valorem* taxation pursuant to Tenn. Code Ann. § 7-53-305(a) and that the assessments for *ad valorem* taxation upon said Subject Personal Property (other than the Raw Materials and Supplies) are invalid.

(b) It is also therefore ORDERED that the following value and assessment for the Raw Materials and Supplies be adopted for *ad valorem* taxation for the years 2003 through 2006 inclusive:

<u>TAX YEAR</u>	<u>APPRAISED VALUE</u>	<u>ASSESSED VALUE</u>	<u>TAXES</u>
2003	\$1,887,136	\$566,141	\$14,097
2004	\$1,887,136	\$566,141	\$14,097
2005	\$1,887,136	\$566,141	\$14,097
2006	\$1,887,136	\$444,307	\$11,063

Required Disclosures

Pursuant to the Uniform Administrative Procedures Act, Tenn. Code Ann. § 4-5-301-325, Tenn. Code Ann. § 67-5-1501, and the Rules of Contested Case Procedure of the State Board of Equalization, the parties are advised of the following remedies:


1. A party may appeal this decision and order to the Assessment Appeals Commission pursuant to Tenn. Code Ann. § 67-5-1501 and Rule 0600-1-.12 of the Contested Case Procedures of the State Board of Equalization. Tenn. Code Ann. § 67-5-1501(c) provides that an appeal **"must be filed within thirty (30) days from the date the initial decision is sent."** Rule 0600.1-.12 of the Contested Case Procedures of the State Board of Equalization provides that the appeal be filed with the Executive Secretary of the State Board and that the appeal **"identify the allegedly erroneous finding(s) of fact and/or conclusion(s) of law in the initial order";** or

2. A party may petition for reconsideration of this decision and order pursuant to Tenn. Code Ann. § 4-5-317 within fifteen (15) days of the entry of the order. The petition for reconsideration must state the specific grounds upon which relief is requested. The filing of a petition for reconsideration is not a prerequisite for seeking administrative or judicial review; or

3. A party may petition for a stay of effectiveness of this decision and order pursuant to Tenn. Code Ann. § 4-5-316 within seven (7) days of the entry of the order.

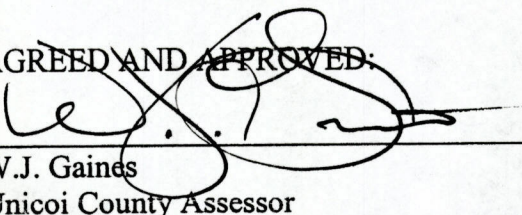
This order does not become final until an official certificate is issued by the Assessment Appeals Commission. Official certificates are normally issued seventy-five (75) days after the entry of the initial decision and order if no party has appealed.

ENTERED this 22nd day of March, 2007.



MARK J. MINSKY
ADMINISTRATIVE JUDGE
TENNESSEE DEPARTMENT OF REVENUE
ADMINISTRATIVE PROCEDURES DIVISION

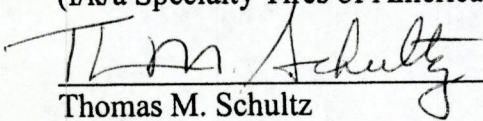
AGREED AND APPROVED:



W.J. Gaines
Unicoi County Assessor

3 / 15 / 07
Date

Specialty Tennessee Holdings, Inc.
(f/k/a Specialty Tires of America (Tennessee), Inc.)



Thomas M. Schultz
Taxpayer's Representative

General Counsel

01/24/2007
Date